

WILLIAM M.
MERCER

October 26, 1999

State of Alaska
Teachers' Retirement Board
Department of Administration
Division of Retirement & Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Dear Members of the Board:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Teachers' Retirement System has been prepared as of June 30, 1998 by William M. Mercer, Incorporated. The purposes of the report include:

- (1) a review of experience under the Plan for the year ended June 30, 1998;
- (2) a determination of the appropriate contribution rate for all employers in the System;
- (3) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

- (1) Summary of actuarial assumptions and methods
- (2) Schedule of active member valuation data
- (3) Schedule of retirants and beneficiaries added to and removed from rolls
- (4) Solvency test
- (5) Analysis of financial experience

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In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, LLP, to determine a sound value for the System liability. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to the Board in October 1996.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY99 and a rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. Over time, the contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities increased from 94.0% to 97.7% during the year, primarily due to continued favorable investment experience. Over the years, progress has been made toward achieving the funding objectives of the System.

There were no significant changes in the actuarial assumptions or actuarial methods used in the determination of system liabilities this year. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

Future contribution requirements may differ from those determined in the valuation because of:

- (1) differences between actual experience and anticipated experience based on the assumptions;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; or
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

The undersigned are members of the American Academy of Actuaries or the Society of Actuaries and are fully qualified to provide actuarial services to the State of Alaska.

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 27.

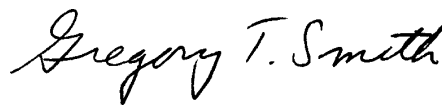
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We believe that this report conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,



Brian R. McGee, FSA, MAAA



Gregory T. Smith, ASA, EA

CMB/JWJ/kmm(jls)

Teachers' Retirement System Summary of Actuarial Assumptions and Methods

The demographic and economic assumptions used in this valuation were recommended by William M. Mercer, Incorporated and were adopted at the Fall 1996 TRS Board Meeting. These assumptions were the result of an experience study performed in the Fall of 1996. The funding method used in this valuation was adopted June 30, 1985. The five-year smoothing method used to determine valuation assets was changed effective June 30, 1994.

Valuation of Liabilities

- A. Actuarial Method** - Projected Unit Credit (no change). Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. Any funding surpluses or unfunded accrued liability is amortized over a rolling 25 years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

B. Actuarial Assumptions -

- | | | |
|----|-------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Investment Return | 8.25% per year, compounded annually, net of expenses. |
| 2. | Salary Scale | Inflation - 4.0% per year
Productivity - 0.5% per year
Merit (first 5 years of employment) - 1.0% per year |
| 3. | Total Inflation | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually. |
| 4. | Health Cost Trend | FY98 - 6.5%
FY99 and later - 5.5% |

Teachers' Retirement System Summary of Actuarial Assumptions and Methods

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|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|---------|-------------|-------------|-------------|
| 5. Mortality | 1984 Unisex Pension Mortality Table, set forward one year for male members and set backward four years for female members. All deaths are assumed to result from nonoccupational causes. | | | | | | |
| 6. Turnover | Based upon the 1991-95 actual total turnover experience. (See Table 1). | | | | | | |
| 7. Disability | Incidence rates based upon the 1991-95 actual experience, in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. | | | | | | |
| 8. Retirement Age | Retirement rates based upon the 1991-95 actual experience in accordance with Table 3. | | | | | | |
| 9. Spouse's Age | Wives are assumed to be four years younger than husbands. | | | | | | |
| 10. Dependent Children | Benefits to dependent children have been valued assuming members who are not single have one dependent child. | | | | | | |
| 11. Contribution Refunds | 100% of those terminating after age 35 who are vested will leave their contributions in the fund and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded. | | | | | | |
| 12. C.O.L.A. | Of those benefit recipients who are eligible for the C.O.L.A., 62% are assumed to remain in Alaska and receive the C.O.L.A. | | | | | | |
| 13. New Entrants | <p>Growth projections are made for the active TRS population under three scenarios:</p> <table style="margin-left: 40px; border: none;"> <tr> <td>Pessimistic:</td> <td>0% per year</td> </tr> <tr> <td>Median:</td> <td>1% per year</td> </tr> <tr> <td>Optimistic:</td> <td>2% per year</td> </tr> </table> | Pessimistic: | 0% per year | Median: | 1% per year | Optimistic: | 2% per year |
| Pessimistic: | 0% per year | | | | | | |
| Median: | 1% per year | | | | | | |
| Optimistic: | 2% per year | | | | | | |
| 14. Sick Leave | 4.7 days of unused sick leave for each year of service will be available to be credited once the member is retired. | | | | | | |
| 15. Post-Retirement Pension Adjustment | 50% and 75% of assumed inflation is valued for the automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. | | | | | | |
| 16. Expenses | Expenses are covered in the investment return assumption. | | | | | | |

<p style="text-align: center;">Teachers' Retirement System Summary of Actuarial Assumptions and Methods</p>

Valuation of Assets

Effective June 30, 1994, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements provided by KPMG LLP. Valuation assets cannot be outside a range of 80% to 120% of the market value of assets.

Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For the June 30, 1998 valuation, the pre-65 monthly premium is \$600.44 and the post-65 premium is \$228.72, based on an assumed total blended premium of \$459.33. For the time period January 1, 1999 to December 31, 1999, the actual blended premium as provided by the State of Alaska, Division of Retirement and Benefits is \$442.00.

**Teachers' Retirement System
Summary of Actuarial Assumptions and Methods**

**Table 1
Total Turnover Assumptions**

Select Rates of Turnover During the First 8 Years of Employment		Ultimate Rates of Turnover After the First 8 Years of Employment	
Year of Employment	Rate	Ages	Rate
1	.15	20+	.04
2	.14		
3	.12		
4	.11		
5	.09		
6	.08		
7	.07		
8	.07		

**Teachers' Retirement System
Summary of Actuarial Assumptions and Methods**

**Table 2
Disability Rates
Annual Rates Per 1,000 Employees**

Age	Rate
20	.28
21	.28
22	.29
23	.29
24	.30
25	.30
26	.30
27	.31
28	.32
29	.33
30	.34
31	.34
32	.35
33	.36
34	.37
35	.38
36	.40
37	.41
38	.43
39	.44
40	.46
41	.48
42	.51
43	.54
44	.59
45	.65
46	.70
47	.76
48	.83
49	.89
50	.96
51	1.04
52	1.14
53	1.27
54	1.42
55	1.60
56	1.84
57	2.14
58	2.44
59	2.88
60	3.37
61	3.90
62	4.52
63	5.22
64	5.96

**Teachers' Retirement System
Summary of Actuarial Assumptions and Methods**

**Table 3
Retirement Rates**

Age at Retirement	Retirement Rate
50	.05
51	.05
52	.05
53	.05
54	.05
55	.15
56	.13
57	.10
58	.10
59	.10
60	.10
61	.10
62	.10
63	.17
64	.17
65	.50
66	1.00
For ages less than 50, teachers are assumed to retire two years after the earliest age they are eligible to retire.	

Teachers' Retirement System Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Payroll (000s)	Annual Average Pay	Percent Increase In Average Pay	Number of Participating Employers
June 30, 1998	9,262	\$469,433	\$50,684	(0.4)%	61
June 30, 1997	9,164	466,455	50,901	1.3%	61
June 30, 1996	9,259	465,182	50,241	(0.5)%	61
June 30, 1995	9,452	477,205	50,487	0.6%	61
June 30, 1994	9,489	476,098	50,174	3.2%	61
June 30, 1993	9,459	459,746	48,604	0.2%	61
June 30, 1992	9,238	448,186	48,515	2.2%	62
June 30, 1991	8,903	422,655	47,473	4.6%	62
June 30, 1990	8,586	389,702	45,388	1.8%	60
June 30, 1989	8,527	380,267	44,596	1.4%	61

Teachers' Retirement System Schedule of Retirants and Beneficiaries Added to and Removed from Rolls								
	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
Year Ended	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
June 30, 1998	674	\$24,479,595	38	\$1,380,155	5,979	\$169,727,400	15.75%	\$28,387
June 30, 1997	583	29,988,351 ⁽¹⁾	43	2,211,834 ⁽¹⁾	5,343	146,627,960	23.37%	27,443
June 30, 1996	376	8,410,895	32	441,353	4,803	118,851,443	7.19%	24,745
June 30, 1995	368	10,386,432	43	94,443	4,459	110,881,901	10.23%	24,867
June 30, 1994	280	8,923,551	37	616,360	4,134	100,589,912	9.00%	24,332
June 30, 1993	344	6,874,777	55	1,044,709	3,891	92,282,721	6.74%	23,717
June 30, 1992	120	5,799,044	62	1,436,106	3,602	86,452,653	5.31%	24,001
June 30, 1991	519	14,827,829	159	3,535,365	3,544	82,089,715	15.95%	23,163
June 30, 1990	208	6,181,779	122	2,648,864	3,184	70,797,251	5.25%	22,235
June 30, 1989	201	5,730,311	75	1,593,075	3,098	67,264,336	6.55%	21,712

* Numbers are estimated and include other internal transfers.

¹ Includes additional benefits to current retirees from a one-time retroactive ad hoc Post-Retirement Pension Adjustments.

TRS Solvency Test							
Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000s)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (000s)	(2) Inactive Members (000s)	(3) Active Members (Employer-Financed Portion) (000s)		(1)	(2)	(3)
June 30, 1998	\$449,383	\$2,344,263	\$735,111	\$3,446,070	100%	100%	88.8%
June 30, 1997	483,735	2,095,843	780,491	3,120,044	100%	100%	69.2%
June 30, 1996 ⁽²⁾	451,249	1,689,636	799,552	2,858,756	100%	100%	89.8%
June 30, 1995	437,089	1,531,406	944,972	2,647,392	100%	100%	71.8%
June 30, 1994 ⁽¹⁾⁽²⁾	398,990	1,419,506	942,913	2,472,957	100%	100%	69.4%
June 30, 1993	370,667	1,223,220	835,569	2,261,082	100%	100%	79.8%
June 30, 1992 ⁽¹⁾	341,204	1,110,981	779,561	2,001,864	100%	100%	70.5%
June 30, 1991 ⁽²⁾	293,136	1,056,453	725,816	1,779,579	100%	100%	59.2%
June 30, 1990 ⁽³⁾	269,491	940,475	685,064	1,662,242	100%	100%	66.0%
June 30, 1989 ⁽¹⁾	253,436	779,296	524,911	1,480,389	100%	100%	85.3%
⁽¹⁾ Change in Asset Valuation Method. ⁽²⁾ Change of Assumptions. ⁽³⁾ Change in Plan Provisions.							

Teachers' Retirement System Analysis of Financial Experience					
Change in Average Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of Gain or Loss	Change in Average Contribution Rate During Fiscal Year				
	98	97	96	95	94
Health Experience	-	-	-	-	0.25%
Salary Experience	(0.84)%	(0.05)%	(0.62)%	(0.29)%	(0.20)%
Investment Experience	(2.70)%	(1.80)%	(0.69)%	(0.05)%	0.55%
Demographic Experience	0.54%	1.56%	0.68%	0.32%	0.47%
Total Experience Gain (Loss)	(3.00)%	(0.29)%	(0.63)%	(0.02)%	1.07%
Nonrecurring Changes					
Asset Valuation Method	-	-	-	-	(0.89)%
Assumption Changes	-	-	(3.79)%	-	2.30%
Ad hoc PRPA	0.55%	2.77%	-	-	-
Composite Gain (Loss)	(2.45)%	2.48%	(4.42)%	(0.02)%	2.48%
Beginning Average Employer Contribution Rate	13.00%	10.52%	14.94%	14.96%	12.48%
Ending Average Employer Contribution Rate	10.55%	13.00%	10.52%	14.94%	14.96%

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through June 30, 1998. Chapter 97, 1990 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the TRS before July 1, 1990, are eligible for different benefits than members hired after June 30, 1990. Members who were first hired after June 30, 1996, are eligible for different health benefits than members from the other tiers.

(2) Administration of Plan

The Commissioner of Administration is responsible for administering the system. The Teachers' Retirement Board prescribes policies and regulations and performs other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division is responsible for investing TRS funds. The Attorney General represents the system in legal proceedings.

(3) Membership

Membership in the Alaska TRS is mandatory for the following employees:

- certificated full-time and part-time elementary and secondary teachers, certificated school nurses, and certificated employees in positions requiring teaching certificates;
- the Commissioner of the Alaska Department of Education and certificated supervisors employed by the Department of Education in permanent positions requiring teaching certificates;
- University of Alaska full-time and part-time teachers, and full-time administrative employees in positions requiring academic standing if approved by the TRS administrator;

- certain full-time or part-time teachers of Alaska Native language or culture who have elected to be covered under the TRS;
- members on approved sabbatical leave under AS 14.20.310; and
- certain State legislators who have elected to be covered under the TRS.

Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the TRS.

Employees who work half-time in the TRS and Public Employees' Retirement System (PERS) simultaneously are eligible for half-time TRS and PERS credit.

(4) Credited Service

TRS members receive a year of membership credit if they work a minimum of 172 days during the school year (July 1 through June 30 of the following year). Fractional credit is determined based on the number of days worked. Members receive one-half membership credit for each day of part-time service. Credit is granted for all Alaskan public school service.

Members may claim other types of service, including:

- Outside teaching service in out-of-state schools or Alaska private schools (not more than ten years may be claimed);
- Military service (not more than five years of military service or ten years of combined outside and military service may be claimed);
- Alaska Bureau of Indian Affairs (BIA) service;
- Retroactive Alaskan service that was not creditable at the time it occurred, but later

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

became creditable because of legislative change;

- Unused sick leave credit after members retire; and
- Leave of absence without pay.

Except for retroactive Alaska service that occurred before July 1, 1955, and unused sick leave, contributions are required for all claimed service.

Members receiving TRS disability benefits continue to earn TRS credit while disabled.

(5) Employer Contributions

TRS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

(6) Member Contributions

Mandatory Contributions: Members are required to contribute 8.65% of their base salaries. Members' contributions are deducted from gross salaries before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described under Credited Service.

1% Supplemental Contributions: Members who joined the system before July 1, 1982, and elected to participate in the supplemental contributions provision, are required to contribute an additional 1% of their salaries. Under the supplemental provision, an eligible spouse or dependent child will receive a survivor's allowance or spouse's pension if the member dies (see Death Benefits).

Interest: Members' contributions earn 4.5% interest, compounded annually on June 30.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts, which includes their mandatory contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid qualified domestic relations orders.

Reinstatement of Contributions: Refunded accounts and the corresponding TRS service may be reinstated upon reemployment in the TRS. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

(7) Retirement Benefits

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 60¹, or early retirement at age 55, if they have at least:
 - (i) eight years of paid-up membership service;
 - (ii) 15 years of paid-up creditable service, the last five years which are membership service, and they were first hired under the TRS before July 1, 1975;
 - (iii) five years of paid-up membership service and three years of paid-up Alaska Bureau of Indian Affairs service;
 - (iv) 12 years of combined part-time and full-time paid-up membership service; or

¹ Members participating before July 1, 1990 are eligible for normal retirement at age 55 or early retirement at age 50.

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

- (v) two years of paid-up membership service if they are vested in the Public Employees' Retirement System (PERS).

credit in a school year to include it in the ABS calculation. The TRS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

- (b) Members may retire at any age when they have:

- (i) 25 years of paid-up creditable service, the last five years which are membership service;
- (ii) 20 years of paid-up membership service;
- (iii) 20 years of combined paid-up membership and Alaska Bureau of Indian Affairs service, the last five years which are membership service; or
- (iv) 20 years of combined paid-up part-time and full-time membership service.

The percentage multipliers are 2% for the first 20 years and 2.5% for all remaining service. Service before July 1, 1990, is calculated at 2%.

Indebtedness: Members who terminate and are refunded their TRS contributions are not eligible to retire, unless they return to TRS employment and pay back their refunds, plus interest, or accrue additional service which qualifies them for retirement. TRS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded TRS service is included in total service for the purpose of calculating retirement benefits. However, when refunds are not completely paid before retirement, benefits are actuarially reduced for life.

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements to retire at any age under (b) above. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

(8) Reemployment of Retired Members

Retirement benefits are suspended while retired members are reemployed under the TRS. During reemployment, members earn additional TRS service and contributions are withheld from their wages.

Members may also select joint and survivor options. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the TRS, Public Employees' Retirement System (PERS), or the University of Alaska's Optional Retirement Plan will:

Benefit Calculation: Retirement benefits are calculated by multiplying the average base salary (ABS) times the total TRS service times the percentage multiplier. The ABS is determined by averaging the salaries earned during the three highest school years. Members must earn at least 115 days of

- (a) forfeit the three years of incentive credits that they received;
- (b) owe the TRS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

- (c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

(9) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided without cost to (1) all employees first hired before July 1, 1990, and (2) employees who are disabled or age sixty-five or older, regardless of their initial hire dates. Employees first hired after June 30, 1990, may receive major medical benefits prior to age sixty-five by paying premiums.

(10) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover, or become eligible for normal retirement. To be eligible, members must have at least five years of paid-up membership service.

Disability benefits are equal to 50% of the member's base salary at the time of disability. The benefit is increased by 10% of the base salary for each minor child, up to a maximum of 40%. Members continue to earn TRS service until eligible for normal retirement.

Members are appointed to normal retirement on the first of the month after they become eligible.

(11) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the supplemental contributions provision or occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

Occupational Death: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision (below). The pension equals 40% of the member's base salary on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's average base salary as existed on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit, unless benefits are payable under the supplemental contributions provision (below). The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

Lump Sum Benefit: Upon the death of an active member who has less than one year of service or an inactive member who is not vested, the designated beneficiary receives the member's contribution account, which includes mandatory contributions, indebtedness payments, and interest earned. Any supplemental contributions will also be refunded. If the member has more than one year of TRS service, the beneficiary also receives \$1,000 and \$100 for each year of TRS service, up to a maximum of \$3,000. An additional \$500 may be payable if the member is survived by dependent children.

Supplemental Contributions Provision: Members are eligible for supplemental coverage if they joined the TRS before July 1, 1982, elected to participate in the supplemental provision, and made the required contributions. A survivor's allowance or

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

spouse's pension (below) may be payable if the member made supplemental contributions for at least one year and dies while in membership service or while disabled under the TRS. In addition, the allowance and pension may be payable if the member dies while retired or in deferred vested status if supplemental contributions were made for at least five years.

- (a) Survivor's Allowance: If the member is survived by dependent children, the surviving spouse and dependent children are entitled to a survivor's allowance. The allowance for the spouse is equal to 35% of the member's base salary at the time of death or disability, plus 10% for each dependent child up to a maximum of 40%. The allowance terminates and a spouse's pension becomes payable when there is no longer an eligible dependent child.
- (b) Spouse's Pension: The spouse's pension is equal to 50% of the retirement benefit that the deceased member was receiving or would have received if retired at the time of death. The spouse's pension begins on the first of the month after the member's death or termination of the survivor's allowance.

Death After Retirement: If a joint and survivor option was selected at retirement, the eligible spouse receives continuing, lifetime monthly benefits after the member dies. A survivor's allowance or spouse's pension may be payable if the member participated in the supplemental contributions provision. If a joint and survivor option was not selected and benefits are not payable under the supplemental contributions provision, the designated beneficiary receives the member's contribution account, less any benefits already paid.

(12) Post-Retirement Pension Adjustments

Post-retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on TRS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or under age 60 if the recipient has been receiving benefits for at least eight years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990, if the CPI increases and the financial condition of the fund will permit an increase.

(13) Alaska Cost-of-Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost-of-living allowance (COLA) equal to 10% of their base benefits. The following benefit recipients are eligible:

- (a) members who were first hired under the TRS before July 1, 1990, and their survivors;
- (b) members who were first hired under the TRS after June 30, 1990, and their survivors if they are at least age 65; and
- (c) all disabled members.